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WARTIME LAND MARKET SURVEY IN THE NORTH CENTRAL REGION

First Quarter 1943

Milwaukee, Wisconsin

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WARTIME LAND MARKET SURVEY 1/
First Quarter, 1943 2/

Summary

Farm real estate sales prices, in selected sample areas of the North Central Region during the first quarter of 1943, were about 15 percent higher than in the first quarter of 1942. The increase since 1941 appears to exceed 25 percent.

The volume of transfers in the first quarter of 1943 was higher generally throughout the sampled portions of the region.

Equities in purchased properties amounted to approximately 60 percent of the purchase price, about the same as in 1942. This indicates an increase in debt per acre of land purchased of about 15 percent since 1942.

Insurance companies and other creditor owners declined in importance as sellers of farm real estate and sales by estates and by individuals increased in importance.

Farmers continue to be the most important class of buyers while nonfarmer buyers attained importance in certain local areas.

Although farm income has increased substantially since 1940, it appears that unless the high level of income is maintained for several years, many farmers may be unable to pay for farm real estate at current prices from the income received from the properties alone.

Reports of purchase for "speculation" have increased and are being augmented by resale of properties at considerable profit.

The immediate market outlook is for a continuation of the upward trend in sale prices, a principal contributing factor being the large volume of purchasing power available in the hands of the people.

1/ Assistance in collecting and tabulating the data for this survey was provided by the departments of agricultural economics in the Agricultural Experiment Stations in the States concerned.

2/ This report is the fifth in a series presenting current information on farm real estate activity in selected counties in the North Central States. The data include only bona fide transfers and were obtained from deed and mortgage records in the county recorders' offices. The information on buyers and sellers was obtained from local people in the various counties and was supplemented by mail questionnaires.

Table 1. Average per acre price of farm real estate changing ownership in sample counties, by areas, 1941, 1942 and the first quarter of 1943, North Central Region 1/

Area 2/	Number of Sample Counties	1941	1942	First Quarter 1943	Percentage change: 1942 over 1941	Percentage change: 1st Quarter '43 over 1st Quarter 1942
	Number	Dollars	Dollars	Dollars	Percent	Percent
CORN BELT AREAS	17	89	98	111	10	16
Central Indiana-Ohio	5	82	87	98	6	11
Illinois-Indiana Cash Grain	3	124 3/	139	144	12	4
Illinois-Iowa Livestock	3	84	93	106	11	19
Central and Northern Iowa	4	84 3/	94	118	12	27
Western Iowa	2	67 4/	68	79	1	23
CORN BELT FRINGE AREAS	15	48	54	60	12	7
Toledo General Farming	3	69 3/	76	96	10	19
Kankakee River	1	50	53	59	6	16
Lower Wabash River	2	38 4/	44	49	16	- 8
Missouri Putnam Soils	2	21 4/	24	30	14	36
Iowa-Missouri Pasture	2	29	34	32	17	0
Maryville-Greenfield Livestock	2	54 4/	53	55	- 2	6
Southern Minnesota	1	0	62	67	0	8
LaCrosse-Dubuque Livestock	2	51	54	56	6	- 7
DAIRY AREAS	8	68	72	87	6	23
Northeastern Ohio	2	70 4/	79	80	13	- 1
Lake Michigan	4	71 3/	76	99	7	38
East St. Louis	2	54 4/	51	57	- 6	6
GENERAL FARMING AREAS	6	26	27	30	4	7
Southeastern Ohio	2	25 4/	28	29	12	- 6
Southeastern Indiana	2	22 4/	22	33	0	38
Southwestern Missouri Plains	2	29 4/	26	30	-10	3
MISSOURI-ILLINOIS COTTON AREA	1	78	93	108	19	29 5/
REGIONAL TOTAL	47	62	68	78	10	15

1/ Prices are from recorded farm real estate transfers in sample counties and are the averages for the transfers for which adequate information concerning price and acreage was available. Only bona fide sales were included. 1941 and 1942 prices represent transfers dated and recorded within the year, whereas 1943 prices represent only those transfers for which buyer or seller reported the date of the agreement for sale to be within the quarter or the preceding month. The names of sample counties are given in Appendix 1.

2/ Areas and subareas are given weights in averages according to their size.

3/ Average of two sample counties.

4/ Average in one sample county.

5/ March and April sales only.

Farm Real Estate Prices Increase 15 Percent

The first quarter of 1943 witnessed a continuation at an accelerated rate of the upward trend in farm real estate prices which has prevailed during the past two years. Sales prices in selected counties in the North Central Region averaged about 15 percent above those of the first quarter of 1942. (See Table 1.) In some areas increases of as much as 38 percent were recorded, and in half of all the sample areas the increases exceeded 10 percent. Although in one-fourth of the areas sampled no change or slight decreases occurred, it is believed that these were due to a decline in the quality of land being sold. In many areas lands of comparable quality are probably being sold at prices substantially higher than 15 percent above 1942. In such areas individual sales at spectacular prices are occurring, such as sales of central Illinois land without buildings at more than $200 per acre.

Although substantial price increases appear to have been general throughout the region, the greatest increases were in the Lake Michigan dairy area, southeastern Indiana and in the Missouri-Putnam soils area. Slight declines in prices, probably due to decreases in quality of land, were recorded in eastern Ohio, the lower Wabash River area of Indiana and Illinois and the LaCrosse-Dubuque livestock area. It is not improbable that in the latter areas declines in quality exceeded declines in prices such that values of land of comparable quality are actually higher although not rising relatively as much as in other areas in the region.

The substantial rise in prices occurring in the last year when added to an apparent increase of 10 percent in the preceding year indicates a total rise in the last two years of at least 25 percent.

Volume of Farm Real Estate Sales Higher

Farm real estate market activity as indicated by recordings of transfers in county records, was greater in the first quarter of 1943 than in the same period of 1942. (See Table 2.) Increased activity was general throughout the portions of the region studied. A decline in activity was recorded only in southern Minnesota where the disposal of insurance company and other credit-owned lands sharply declined in 1943. In other areas in the past two years declines in sales of creditor lands have usually preceded somewhat an increase in sales of land owned by estates and by individuals.

Table 2. Average Number of recorded voluntary farm real estate sales per sample county 1942, and first quarter of 1943, North Central Region 1/

Area	1942 1st Quarter	1942 2nd Quarter	1942 3rd Quarter	1942 4th Quarter	1943 1st Quarter
	(Number)				
CORN BELT AREAS	42	22	18	18	56
Central Indiana-Ohio	39	31	25	30	66
Illinois-Indiana Cash Grain	41	17	20	19	48
Illinois-Iowa Livestock	47	23	16	16	53
Central and Northern Iowa	45	16	12	11	49
Western Iowa	40	14	16	9	62
CORN BELT FRINGE AREAS	53	21	13	27	59
Toledo General Farming	46	21	15	32	46
Kankakee River	39	30	14	33	53
Lower-Wabash River	29	25	13	29	50
Missouri Putnam Soils	58	30	16	28	60
Iowa Missouri Pasture	66	21	12	34	86
Maryville-Greenfield Livestock	95	16	18	18	97
Southern Minnesota	32	14	6	18	15
LaCrosse-Dubuque Livestock	43	14	7	24	50
DAIRY AREAS	39	32	22	28	39
Northeastern Ohio	50	58	28	42	54
Lake Michigan	42	24	20	26	36
East St. Louis	22	26	22	18	31
GENERAL FARMING AREAS	35	30	26	36	52
Southeastern Ohio	33	29	20	30	40
Southeastern Indiana	34	31	32	30	45
Southwestern Missouri Plains	47	36	34	54	90
Red River Valley	16	16	11	25	12
MISSOURI-ILLINOIS COTTON AREA	34	15	13	42	2/
REGIONAL AVERAGE	44	24	18	26	54

1/ Deeds dated and recorded within the same quarter for 1942. The 1943 numbers include in addition deeds dated Dec. 1942 but recorded in the 1st Quarter 1943.

2/ Not Available.

Buyers' Equities in Real Estate Purchased Amount to About 60 Percent of Purchase Price

In the first quarter of 1943 buyers paid all cash for about 40 percent of the tracts of farm real estate studied. Of the 60 percent where some indebtedness remained, the recorded debt amounted to about 63 percent of the purchase price and the down payment about 37 percent. (See Table 3.) Equities in purchased lands averaged lowest in most areas of Iowa and Missouri and in southeastern Indiana. The Missouri and Iowa areas are also the areas where sales of insurance company and other creditor-owned farms were most numerous. In southeastern Indiana numerous purchases by nonfarmers, principally industrial workers, living in Cincinnati and environ were reported. Equities were highest in the St. Louis dairy area counties and in Pemiscot County in the Missouri-Illinois cotton area.

The proportion of farms mortgaged and the relative encumbrance were approximately the same as in 1942 despite the fact that land prices have increased about 15 percent. This indicates an increase in farm mortgage debt and fixed debt charges per acre of land purchased during the period of about 15 percent compared with 1942.

Classes of Owners Selling Farm Lands

In the first quarter of 1943 insurance companies and other creditor owners continued to decline in importance as sellers of farm real estate. Sales by estates and by owner-operators increased in importance. Sales by individuals who did not operate the land constituted 30 percent of the total; owner-operators 22 percent; and the remaining 48 percent was equally divided between unclassified individuals, estates and lending agencies. (See Table 4.) Depletion of the holdings of creditor agencies and old estates may be anticipated as time goes on.

Classes of Buyers

About 60 percent of the farm real estate purchased was acquired by farmers who intend to operate the land. (See Table 5.) Nonfarmers who intend to lease the land to others constituted 25 percent of the total; nonfarmers who plan to operate eight percent; and farmers who intend to lease to others seven percent. Farmers who intend to operate were greatly in the majority in all areas except the Missouri-Illinois cotton area and the Illinois-Indiana cash grain area where nonfarmer purchasers who intend to lease to others were almost as numerous. Buying by farmers to lease to others was relatively most important in the cotton area and in certain livestock farming areas of the Corn Belt. Purchases

Table 3. Proportion of cash purchases, cash and mortgage purchases, and purchases by contract and equity of buyers in purchased properties North Central Region, first quarter, 1943

Area	Total transfers classified	Method of financing			Buyer's equity	
		Cash sales	Cash & mortgage	Purchase contracts	In mortgaged properties	In all properties deeded
	Number	Pct.	Pct.	Pct.	Pct.	Pct.
CORN BELT AREAS	914	35	64	1	40	59
Central Indiana-Ohio	297	33	67	-	43	60
Illinois-Indiana Cash Grain	141	43	57	-	44	64
Illinois-Iowa Livestock	156	52	46	2	40	67
Central and Northern Iowa	195	23	74	3	39	52
Western Iowa	125	38	62	-	35	55
CORN BELT FRINGE AREAS	879	37	63	1/	35	55
Toledo General Farming	137	50	50	-	40	67
Kankakee River	52	33	67	-	41	60
Lower Wabash River	98	51	49	-	34	66
Missouri Putnam Soils	115	34	66	-	33	53
Iowa-Missouri Pasture	170	31	69	-	27	44
Maryville-Greenfield Livestock	194	31	67	2	30	44
Southern Minnesota	15	27	73	-	33	50
LaCrosse-Dubuque Livestock	98	40	59	1	38	59
DAIRY AREAS	306	48	52	-	41	66
Northeastern Ohio	106	44	56	-	36	66
Lake Michigan	140	43	57	-	42	65
East St. Louis	60	70	30	-	42	72
GENERAL FARMING AREAS	239	51	49	-	29	59
Southeastern Ohio	59	54	46	-	24	62
Southeastern Indiana	62	29	71	-	41	56
Southwestern Missouri Plains	118	52	48	-	35	56
MISSOURI-ILLINOIS COTTON AREA 2/	15	40	60	-	54	70
REGIONAL TOTAL	2353	40	60	1/	37	59

1/ Less than 0.5 percent.

2/ March and April transfers only.

by nonfarmers who plan to operate the land were evident particularly in central Indiana-Ohio, lower Wabash River area, Missouri Putnam soils area, northeastern Ohio, southeastern Indiana and southwestern Missouri. Such purchases apparently represent efforts of industrial and other nonfarm workers to secure a home and an investment to provide security in the event of future unemployment.

Use of Purchase Money Mortgages and Sources of Other Mortgage Credit

Purchase money mortgage credit was an important means of financing the acquisition of farm real estate during the first quarter of 1943 and was used in 39 percent of the transactions involving mortgage financing. (See Table 6.) New mortgages given to commercial banks amounted to 24 percent of the total; individual lenders 18 percent; insurance companies eight percent; and the Farm Credit Administration and the Farm Security Administration six percent. Historically, purchase money mortgages have often been associated with small relative down payments and commercial bank loans have often borne higher interest rates and shorter terms of years than loans from other sources. All of these factors promote heavier costs for interest and for renewal of loans.

Land Prices and Farm Income

The advance in recorded sales prices of farm real estate of more than 25 percent in the last two years has been associated with substantial increases in farm income. Cash farm income and government payments, per acre, in the United States in 1941 and 1942 were roughly 125 and 165 percent, respectively, of the 1940 income and payments. Residual cash returns per acre (for capital, management, and family labor) in 1941 and 1942 were approximately 140 and 250 percent, respectively, of 1940 residual returns.

Purchasers of farm real estate are, of course, weighing, the possibilities of securing high returns during hostilities, the probable duration of the war, the effect of minimum price guarantees for a period after fighting ceases, and the probable level of farm prices during the post-war period. Many purchasers undoubtedly believe that although land values have increased, large farm incomes during the next year or more will permit them to pay for the property without undue hardship.

If it is arbitrarily assumed (1) that in 1940 the farm real estate purchasers used a four percent rate of interest in capitalizing income in order to establish the value of farm real estate, and (2) that they will continue to use this rate of interest after 1940, then land which produces $5

Table 4. Types of owners selling farms, first quarter, 1943, North Central Region

Area	Total transfers classified	Type of seller				
		Owner operator	Non-farmer	Unclassified individuals	Estates	Corporations and gov't.
	Number	Pct.	Pct.	Pct.	Pct.	Pct.
CORN BELT AREAS	924	15	29	14	19	23
Central Indiana-Ohio	298	19	30	23	21	7
Illinois-Indiana Cash Grain	144	20	41	8	22	9
Illinois-Iowa Livestock	160	20	35	10	22	13
Central and Northern Iowa	197	9	16	18	17	40
Western Iowa	125	13	33	5	13	36
CORN BELT FRINGE AREAS	892	22	30	15	15	18
Toledo General Farming	138	22	43	9	19	7
Kankakee River	53	49	19	15	9	8
Lower Wabash River	100	23	46	5	10	16
Missouri Putnam Soils	120	20	40	9	13	18
Iowa Missouri Pasture	172	10	26	11	9	44
Maryville-Greenfield Livestock	194	14	26	16	13	31
Southern Minnesota	15	27	33	7	26	7
LaCrosse-Dubuque Livestock	100	15	16	36	14	19
DAIRY AREAS	313	26	35	15	20	4
Northeastern Ohio	108	29	19	31	18	3
Lake Michigan	143	27	40	11	16	6
East St. Louis	62	21	32	8	36	3
GENERAL FARMING AREAS	347	31	33	22	10	4
Southeastern Ohio	76	39	29	22	8	2
Southeastern Indiana	90	31	40	13	7	9
Southwestern Missouri Plains	181	19	36	24	14	7
MISSOURI-ILLINOIS COTTON AREA	15	80	13	-	-	7
REGIONAL TOTAL	2491	22	30	16	16	16

per acre net rent is worth about $125 per acre to the average buyer. Assuming that this preference is accurately reflected in average sales prices, then, by the spring of 1943 it had become necessary for buyers to pay 25 percent more or a total of about $156 per acre for the same land which produced $5 net income in 1940. However, income from land has also increased. Residual cash returns in 1942 were about 150 percent higher than in 1940. If we return to the 1940 level of income after the period of high wartime income, how many years must such high wartime income prevail in order that the purchaser may pay for the property from income above interest? It appears that if, on the average, purchasers are not to receive less than four percent return on their investment and yet pay for the property from the returns produced thereon, it will be necessary for them to receive residual returns equivalent to the 1942 level (250 percent of 1940) for about the next five years, followed by income equal to that of 1940.

Increased Speculation in Land

The proportion of reports from farm real estate purchasers listing "speculation" as the reason for purchase is currently higher than at any previous time in 1941 or 1942.

Quick resale of farm properties at considerable profit is receiving considerable publicity and is speculative in effect. A study of transfers in 15 counties in the region 3/ reveals that purchasers who resold the land they bought in 1941 and 1942 realized an average profit consisting of appreciation in sales value of about 22 percent of the original purchase price. Tracts resold averaged 10 in number per county. About 32 percent of the resales were made by farmers. In addition 51 purchasers, about 50 percent of whom were farmers, resold portions of recently acquired properties.

Market Outlook

Probably the most significant feature of the farm real estate market situation is the tremendous supply of available purchasing power in the hands of people, many of whom are relatively unfamiliar with investment possibilities other than real estate and real estate mortgages. The supply of prospective purchasers who want to acquire land as a home, an investment, an inflation hedge, or for speculation appears to exceed greatly the present number of prospective sellers. The supply of land held by unwilling owners is rapidly being depleted and higher bidding probably will be necessary in order to acquire desirable land in the near future.

3/ The 15 counties include five in Iowa, two in Missouri, six in Illinois, and two in Ohio.

Table 5. Farmers and non-farmers buying farms and their intentions to operate or lease to others, first quarter 1943, North Central Region.

Area	Total Transfers Classified	Farmers		Non-Farmers	
		To operate	To lease to others	To operate	To lease to others
		Percent		Percent	
CORN BELT AREAS	634	55	8	6	31
Central Indiana-Ohio	202	54	6	15	25
Illinois-Indiana Cash Grain	118	47	7	3	43
Illinois-Iowa Livestock	107	53	13	6	28
Central and Northern Iowa	107	56	7	3	34
Western Iowa	100	70	11	3	16
CORN BELT FRINGE AREAS	624	70	6	5	19
Toledo General Farming	105	55	5	6	34
Kankakee River	49	78	4	4	14
Lower Wabash River	85	65	5	15	15
Missouri Putnam Soils	111	67	5	14	14
Iowa Missouri Pasture	85	79	5	2	14
Maryville-Greenfield Livestock	129	68	5	6	21
Southern Minnesota	15	30	7	0	13
LaCrosse-Dubuque Livestock	45	67	9	2	22
DAIRY AREAS	239	54	4	10	32
Northeastern Ohio	66	59	6	15	20
Lake Michigan	115	50	3	10	37
East St. Louis	58	59	5	3	33
GENERAL FARMING AREAS	226	58	5	15	22
Southeastern Ohio	54	56	2	18	24
Southeastern Indiana	72	63	1	18	18
Southwestern Missouri Plains	100	60	10	11	19
MISSOURI-ILLINOIS COTTON AREA 1/	15	33	27	7	33
REGIONAL TOTAL	1738	60	7	8	25

1/ March and April sales only.

Important market factors tending to minimize further price increases include high taxes, bond quotas, the confused post-war outlook and the deep impression made on the minds of all people by the deflation following the last war.

The immediate outlook is for a continuation of the upward trend in sales prices for land of comparable quality. It is not improbable that further value increases will be accompanied, or at least followed, by increases in the number of debt commitments of individuals in excess of their probable repayment ability.

Table 6. Relative extent of use of purchase money mortgages and sources of other new mortgage credit, first quarter 1943, North Central Region. 2/

Area	Purchase Money Mtgs.	Other New Mortgages by: Ind.	FLB & LBC	Insurance Companies	Commercial Banks	FSA & others
	(percentages)					
CORN BELT AREAS	39	9	9	18	21	4
Central Indiana-Ohio	24	14	8	14	31	9
Illinois-Indiana Cash Grain	26	22	12	25	12	3
Illinois-Iowa Livestock	30	4	27	11	23	5
Central and Northern Iowa	44	5	3	22	24	2
Western Iowa	69	3	0	13	13	2
CORN BELT FRINGE AREAS	42	26	6	2	20	4
Toledo General Farming	29	13	2	7	42	2
Kankakee River	44	15	11	4	22	4
Lower Wabash River	51	18	3	0	23	5
Missouri Putnam Soils	43	33	5	0	14	5
Iowa Missouri Pasture	57	11	10	1	12	9
Maryville-Greenfield Livestock	46	25	9	4	15	1
Southern Minnesota	33	56	0	0	11	0
LaCrosse-Dubuque Livestock	45	21	8	2	17	7
DAIRY AREAS	29	25	4	8	28	6
Northeastern Ohio	26	28	4	0	40	2
Lake Michigan	35	27	5	5	23	5
East St. Louis	14	14	0	29	29	14
GENERAL FARMING AREAS	42	16	2	0	38	2
Southeastern Ohio	42	16	0	0	42	0
Southeastern Indiana	37	6	0	0	57	0
Southwestern Missouri Plains	42	17	7	0	27	7
MISSOURI-ILLINOIS COTTON AREA 1/	25	0	0	0	0	75
REGIONAL TOTAL	39	18	6	3	24	5

1/ March and April Transfers

2/ Percentages of total number of new mortgages on tracts conveyed.

APPENDIX

Major Land Value Areas and Sample Counties

Corn Belt Areas

Central Indiana-Ohio
- Grant County, Indiana
- Rush County, Indiana
- Tippecanoe County, Indiana
- Darke County, Ohio
- Madison County, Ohio

Illinois-Indiana Cash Grain
- Champaign County, Illinois
- Livingston County, Illinois
- Logan County, Illinois

Illinois-Iowa Livestock
- Knox County, Illinois
- Ogle County, Illinois
- Cedar County, Iowa

Central and Northern Iowa
- Benton County, Iowa
- Cerro Gordo County, Iowa
- Palo Alto County, Iowa
- Story County, Iowa

Western Iowa
- Crawford County, Iowa
- Montgomery County, Iowa

Corn Belt Fringe Areas

Toledo General Farming
- Adams County, Indiana
- Putnam County, Ohio
- Seneca County, Ohio

Kankakee River
- Noble County, Indiana

Lower Wabash River
- Knox County, Indiana
- Parke County, Indiana

Missouri Putnam
- Audrain County, Missouri
- Monroe County, Missouri

Iowa-Missouri Pasture
- Clarke County, Iowa
- Harrison County, Missouri

Maryville-Greenfield
Nodaway County, Missouri
Adair County, Iowa

Southern Minnesota
Steele County, Minnesota

LaCrosse-Dubuque
Fayette County, Iowa
Lafayette County, Wisconsin

Dairy Areas

Northeastern Ohio
Wayne County, Ohio
Medina County, Ohio

Lake Michigan
Brown County, Wisconsin
Jefferson County, Wisconsin
McHenry County, Illinois
Porter County, Indiana

East St. Louis
Clinton County, Illinois
Macoupin County, Illinois

General Farming Areas

Southeastern Ohio
Muskingum County, Ohio
Pike County, Ohio

Southeastern Indiana
Jennings County, Indiana
Ripley County, Indiana

Southwestern Missouri Plains
Johnson County, Missouri
Lawrence County, Missouri

Missouri-Illinois Cotton Area

Pemiscot County, Missouri

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